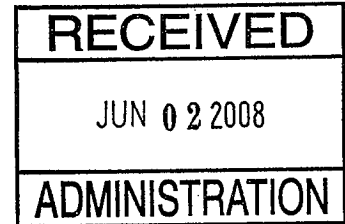


Office of Statewide Health Planning and Development

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May 28, 2008

Mr. Michael P. Mahoney
President and Chief Executive Officer
Hayward Sisters Hospital Inc.,
dba St. Rose Hospital
27200 Calaroga Avenue
Hayward, California 94545-4383



RE: **Hayward Sisters Hospital, Inc. dba St. Rose Hospital**
Project No. 0901
Application for Cal-Mortgage Loan Insurance

Dear Mr. Mahoney:

Hayward Sisters Hospital, Inc. ("**Hospital**") recently applied to the Office of Statewide Health Planning and Development ("**OSHDP**") to insure a loan to the Corporation pursuant to the California Health Facility Construction Loan Insurance Law. The purpose of the insured loan is to provide funds for retrofitting to comply with SB1953, expansion of the fifth floor, remodeling, replacement, and repairs to the existing structure and refinancing of current debt.

OSHDP hereby issues a conditional commitment to insure a loan to the Hospital not to exceed **\$50,670,000** ("**Bonds**"). Issuance of this commitment is subject to the following conditions:

- A. All Corporations will be Co-borrowers or Guarantors.
- B. OSHDP shall receive a security interest in all of the Hospital's property. Such security shall be secured through deeds of trust, fixture filings, UCC-1's, and a gross revenue pledge with Deposit Control Agreement covering all the property of the Hospital and any other document requirements to perfect security interest.
- C. OSHDP shall receive a security interest in all property, both real and personal, acquired by the Hospital after the close of the loan insured by OSHDP.
- D. The proposed services to be provided, as a part of this project and the structure of the transaction shall not differ from those set forth in the Feasibility Study, the Application for Loan Insurance, and the program description and scope as agreed by OSHDP.
- E. The loan shall have a term not to exceed 20 years from the date of the loan. The Hospital shall make principal and interest payments from



- D. The proposed services to be provided, as a part of this project and the structure of the transaction shall not differ from those set forth in the Feasibility Study, the Application for Loan Insurance, and the program description and scope as agreed by OSHPD.
- E. The loan shall have a term not to exceed 20 years from the date of the loan. The Hospital shall make principal and interest payments from operations starting after the close of the loan. The no-call period, if any, shall not extend beyond the first eight years of the loan; where after the redemption price for the following two years shall not exceed 102 percent for the first year and 101 percent for the second year, after which there shall be no prepayment penalty unless otherwise agreed by OSHPD.
- F. The Regulatory Agreement, Contract of Insurance, and Deed of Trust used for this transaction shall be OSHPD's latest form of each.
- G. The Regulatory Agreement shall contain provisions that the Hospital shall maintain the following:
 - 1. A current ratio (ratio of current assets to current liabilities, as determined by the annual audited financial statements) of at least 1.50 to 1, beginning the first full fiscal year after the bonds are issued.
 - 2. A debt service coverage ratio of 1.25 to 1, beginning the first full fiscal year after issuance of the bonds.
 - 3. A non-restricted cash balance, as determined by the annual audited financial statements, equal to 30 days cash on hand beginning in fiscal year 2008, increasing to 40 days cash on hand in 2012, and increasing to 45 days cash on hand from 2014 forward.
 - 4. An initial Capital Replacement Fund, to be determined by OSHPD, and expressed in the Regulatory Agreement before closing.
- H. Prior to the pricing of the Bonds, OSHPD shall receive the following:
 - 1. Copies of the preliminary (a) Sources and Uses of Funds, including documentary evidence verifying owner's equity, and (b) Debt Service Schedule, with all updates of both, each of which must be acceptable to OSHPD.
 - 2. Principal and interest payments will not exceed \$2,357,643 for year 2009, and maximum annual debt service shall not exceed \$3,828,793 for the remaining term, not to exceed 20 years from the date from the loan.
 - 3. Confirmation that there has been no adverse material change in the risk insured including without limitation any changes in the financial condition of the Hospital, any market condition, or management of the Hospital affecting the Hospital's ability to pay debt service or comply with any term, condition or covenant in the Regulatory Agreement.
 - 4. Proof that Via Christi debt has been forgiven and liens against any assets of the Hospital released.
 - 5. Proof, satisfactory to OSHPD that the Hospital is a conforming use for zoning purposes.

6. Final line of credit in the amount of \$10M with documents approved by OSHPD and closing at or prior to the close of the bonds.
7. Certification from Independent Counsel, or other professional satisfactory to OSHPD, that the term of the bonds is no more than 75% of the useful life of the assets.
8. Copies of all prepaids approved by OSHPD.
9. Proof acceptable to OSHPD that the Emergency Reserve Fund from Alameda County in the amount of \$7 million is confirmed and available.
10. Proforma title report for issuance of ALTA Lender's title policy (6/17/06), (or other Form acceptable to OSHPD) with OSHPD designated as a co-beneficiary and in an amount equal to the loan bond par amount for the project, with the following endorsement Forms:
 - a) 100, additional coverage;
 - b) 103.3, encroachment upon easement;
 - c) 103.4, or 103.7, insures access to a public street;
 - d) 116, insures street address, locations, and dimensions;
 - e) 116.4, contiguous parcels (if requested);
 - f) 122, lien free endorsement.Cal-Mortgage may require additional endorsements.
11. Phase I Environmental Site Assessment from the California Department of Toxic Substances Control showing no significant issues.
12. Evidence, either that the following insurance coverage is in effect for work in progress or work to be performed, or of a commitment to provide such insurance coverage before construction begins:
 - a. Statutory worker's compensation and employer's liability.
 - b. Bodily injury and property damage liability.
 - c. Such other insurance as is required in the Regulatory Agreement.
13. As construction is part of this project:
 - a. A certification from the architect that (1) the final set of the architectural plans and (2) the construction materials outline specification for the entire project are complete and available to OSHPD upon request.
 - b. Copy of the construction contract to be executed, based upon final approved architectural plans, with a fixed limit of construction cost (not to exceed price or guaranteed maximum price) for the entire project.
 - c. Copies of all building permits and governmental agency approvals required for the project, or assurances from the governmental agency that permits will be issued. All such permits, approvals, or assurances, must be acceptable to OSHPD.

14. Updates, if any, to the Financial Feasibility Study, which must be acceptable to OSHPD.
 15. OSHPD will have received satisfactory responses to the inquiry letters sent to DHCS.
 16. Documents indicating that any other conditions required by the Advisory Loan Insurance Committee and the Director of OSHPD have been satisfied.
- I. Prior to closing of the loan insured by OSHPD, OSHPD shall receive the following:**
1. Copies of the final (a) Sources and Uses of Funds and (b) Debt Service Schedule after the Bonds have been priced.
 2. As construction is a part of this project:
 - a. Copy of the executed guaranteed maximum price construction contract, including all amendments or additions thereto, and all correspondence between the contractor and the Hospital.
 - b. Evidence of fire and extended coverage for all work performed under contract and other improvements on the site against loss or damage to the extent of replacement value covered by the standard extended coverage insurance endorsement. The policies shall include a standard mortgage clause making any loss payable to the mortgagee and OSHPD as their interest may appear.
 - c. Evidence of payment, performance, and materialman's bonds in the amount of the construction contract for all contractors and subcontractors.
- J. At the loan closing, OSHPD shall receive an ALTA Lender's title policy, with OSHPD designated as a beneficiary of a first deed of trust in a fee interest of Hospital in an amount equal to the Bonds with the endorsements described above or others as may be required by OSHPD.**

In the event that additional facts, or changes in the law, or changes in the structure of the transaction come to the attention of OSHPD, then OSHPD may require additional conditions.

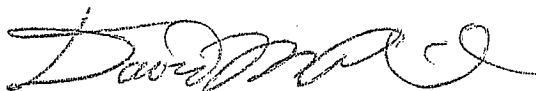
It is further understood that OSHPD maintains the right to adjust the above-indicated amount to be insured commensurate with cost information at the time of the final endorsement.

Please send two copies of all drafts of any documents related to this transaction to the Hospital's Account Manager, who will distribute one copy to OSHPD's Staff Counsel.

This commitment is issued in full consideration and knowledge of all parties to be preliminary in nature and shall not be final until there is full compliance with all applicable laws, including the provisions of Chapter 1, Part 6, Division 107 of the Health and Safety Code, cited in Section 129000 as the "California Health Facility Construction Loan Insurance Law," and the associated regulations and requirements, and all the conditions contained therein.

This commitment will expire six months from the date of this letter unless extended by OSHPD at the request of the Hospital. Lapse of this commitment will void the application and require a new application prior to further processing.

Sincerely,



David M. Carlisle, M.D., Ph.D.
Director

cc: Michael Taylor, Chief Financial Officer
St. Rose Hospital
Carsten Beith, Managing Director
Cain Brothers, Inc.
Keith Dickinson, CPA, CFA, Director
Standard & Poor's
Deanne Brown, CFIRS Manager
State Treasurer's Office
Lawrence Garcia, Esq.
Diepenbrock Harrison LLP
Sandra Karinen, Site Mitigation and Brownfields Reuse Program
Department of Toxic Substance Control
Carl A. McLaney, Deputy Director
Cal-Mortgage Loan Insurance Division
Donald F. Morey, Staff Counsel
Cal-Mortgage Loan Insurance Division
Gary L. Evans, Supervising Accounts Manager
Cal-Mortgage Loan Insurance Division
Justine Gartrell, Senior Accounts Manager
Cal-Mortgage Loan Insurance Division